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BOND MARKET & MORTGAGE RATE OUTLOOK

One-Week Forecast: August 12–19, 2026

BOTTOM LINE The highest-probability outcome is a volatile but broadly sideways-to-modestly-improving rate market. The soft July CPI helps bonds, but PPI, Treasury supply, retail sales, industrial production, and the FOMC minutes can reverse the move quickly.

Executive Forecast

Market Measure	Current Reference	One-Week Base Case
Federal funds target	3.50%–3.75%	Unchanged
2-year Treasury	4.22% official close; ~4.17% after CPI	4.05%–4.25%
10-year Treasury	4.70% official close; ~4.65% after CPI	4.55%–4.75%
30-year Treasury	5.24% official close; ~5.22% after CPI	5.10%–5.30%
30-year conventional mortgage	6.69% Freddie weekly; daily quotes roughly 6.7%–6.8%	6.60%–6.80%

Directional Call

- Bonds: Neutral to modestly bullish, with the best rally opportunity if producer inflation and retail activity both soften.
- Mortgage rates: Most likely to finish the period within 0.125 percentage point of current levels, with a mild downward bias.
- Volatility: Elevated around 8:30 a.m. ET data releases and the long-duration Treasury auctions.

Confidence

Moderate — approximately 55% confidence in the base case. The forecast window contains several market-moving releases, so the range matters more than a single-point prediction.

Current Market Position

Treasury Curve

The August 11 Treasury curve remained upward-sloping from the 2-year through the 30-year maturity. That structure reflects a policy rate below longer-term yields and a substantial term premium for inflation, energy, fiscal supply, and duration risk.

Date	2-Year	5-Year	10-Year	20-Year	30-Year
Aug. 7	4.19%	4.35%	4.65%	5.20%	5.19%
Aug. 10	4.25%	4.41%	4.72%	5.25%	5.25%
Aug. 11	4.22%	4.39%	4.70%	5.25%	5.24%
Aug. 12 after CPI*	~4.17%	—	~4.65%	—	~5.22%

*Intraday indications are market observations following the CPI release; official Treasury daily closing rates publish later.

Inflation and Labor Signals

- July CPI rose 0.1% for the month and 3.4% year over year. Core CPI rose 0.2% monthly and 2.5% year over year. The result was close to expectations and modestly supportive for bonds.
- July payroll employment declined by 23,000 while unemployment held at 4.1%, reinforcing the view that labor demand has softened.
- The Fed held the target range at 3.50%–3.75% on July 29. Three voters preferred a 0.25-point increase, which keeps the upcoming minutes important for rate markets.

Mortgage Market

Freddie Mac's latest completed weekly survey put the 30-year fixed average at 6.69% as of August 6, up 0.03 point. Daily market indications around August 12 are roughly 6.7%–6.8%, depending on lender, borrower profile, points, lock period, occupancy, and loan structure.

INTERPRETATION The CPI report reduced immediate pressure for higher short-term rates, but the long end did not rally aggressively. Mortgage pricing can therefore improve modestly without producing a decisive new downward trend.

Events Most Likely to Move Rates

Date / Time (ET)	Event	Bond-Friendly Outcome	Bond-Negative Outcome
Wed. Aug. 12	10-year Treasury auction	Strong demand; low dealer take	Weak demand; yield tail
Thu. Aug. 13, 8:30	July PPI	Below forecast / softer core	Hot headline or core prices
Thu. Aug. 13	30-year Treasury auction	Strong end-user demand	Weak duration demand
Fri. Aug. 14, 8:30	July retail sales	Weak or negative control group	Strong consumer spending
Tue. Aug. 18, 8:30	Import/export prices	Cooling import inflation	Renewed goods inflation
Tue. Aug. 18, 9:15	Industrial production	Soft output / utilization	Upside growth surprise
Wed. Aug. 19	20-year Treasury auction	Clean auction	Large tail / poor demand
Wed. Aug. 19, 2:00	July FOMC minutes	Concern about labor / patience	Broad concern about inflation

Most Important Combination

The strongest case for lower mortgage rates would be a soft PPI report followed by weak retail sales and acceptable long-duration Treasury auctions. A hot PPI plus strong retail sales and weak auctions would produce the clearest risk of rates moving back toward or above 7%.

Technical Levels to Watch

10-Year Yield Level	Market Meaning	Likely Mortgage Effect
Below 4.55%	Break toward a stronger bond rally	Best chance of 6.5%–6.6% pricing
4.55%–4.75%	Current consolidation / base range	Mostly 6.6%–6.8% pricing
Above 4.75%	Renewed inflation or supply concern	6.8%–7.0% risk increases
Above 4.90%	Material bearish breakout	7%+ becomes more likely

One-Week Scenario Forecast

Scenario	Probability	10-Year Treasury	30-Year Mortgage	What Produces It
Base: Range-bound / slightly better	55%	4.55%–4.75%	6.60%–6.80%	Mixed data; inflation does not reaccelerate; auctions acceptable
Bullish bonds / lower rates	25%	4.40%–4.55%	6.45%–6.60%	Soft PPI and spending; weak production; dovish interpretation of minutes
Bearish bonds / higher rates	20%	4.75%–4.95%	6.80%–7.00%	Hot inflation or retail data; weak auctions; hawkish minutes or energy shock

Most Likely Path

- Aug. 12–13: Two-way volatility around Treasury auctions and PPI. CPI has provided a modest cushion, but long-duration supply is a counterweight.
- Aug. 14: Retail sales can set the direction into the weekend. A weaker report should benefit MBS and lender pricing.
- Aug. 17–18: Markets may consolidate, then react to import prices and industrial production.
- Aug. 19: The 20-year auction and FOMC minutes create late-window risk. Improvements earlier in the week could be partly reversed if the minutes emphasize inflation and the July dissenters.

Rate-Lock Strategy by Closing Horizon

Closing Horizon	Suggested Posture	Reasoning
0–15 days	Lock or use float-down protection	Too little time to recover from a 0.125–0.250 point adverse move
16–30 days	Lean toward locking on a bond rally	Base case offers limited improvement relative to event risk
31–60 days	Cautious float only with tolerance for volatility	More time exists, but long-term yields remain technically elevated
60+ days	Monitor rather than force an early lock	Upcoming inflation and labor data can materially reset the trend

PRACTICAL CALL For an active borrower who is satisfied with today's payment, protecting the transaction is more important than trying to capture the final 0.125%. If pricing improves after soft data, use that rally as a lock opportunity.

Professional Interpretation

Why Rates May Improve

- Core inflation is moving closer to the Fed’s target than headline CPI, while the labor market has weakened.
- The two-year yield fell after CPI, indicating less pressure for an immediate Fed increase.
- A soft PPI or retail-sales report would extend the disinflation and slower-growth narrative.

Why Rates May Stay High

- Headline inflation is still 3.4%, and the Fed explicitly says inflation remains elevated relative to 2%.
- Long Treasury yields remain above short yields, showing that term premium, fiscal supply, and inflation uncertainty are substantial.
- Three FOMC voters preferred a rate increase in July, so markets cannot treat easing as assured.
- Mortgage spreads and lender-specific pricing can prevent consumer rates from matching a Treasury rally point for point.

Final Prediction

Over the next week, the bond market is more likely to trade in a broad range than begin a sustained rally. The balance of evidence slightly favors lower mortgage rates, but the expected improvement is small: approximately 0.05–0.15 percentage point from current daily market levels under the base case. A move below 6.50% would probably require several favorable releases and strong Treasury auction demand; a move to 7.00% would probably require renewed inflation or supply stress.

Sources and Method

- U.S. Treasury — Daily Treasury Par Yield Curve Rates (Aug. 7–11, 2026): https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=2026
- U.S. Bureau of Labor Statistics — July 2026 Consumer Price Index: https://www.bls.gov/cpi/
- Federal Reserve — July 29, 2026 FOMC statement and August calendar: https://www.federalreserve.gov/newsevents/pressreleases/monetary20260729a.htm
- Freddie Mac — Primary Mortgage Market Survey: https://www.freddiemac.com/pmms
- U.S. Treasury — Tentative auction schedule: https://home.treasury.gov/system/files/221/Tentative-Auction-Schedule.pdf
- BLS, Census Bureau, and Federal Reserve release calendars for PPI, retail sales, import prices, and industrial production.

Important Limitation

This is a probability-based market outlook, not a guaranteed prediction or a lender rate quote. Mortgage rates vary by credit, loan-to-value, occupancy, property type, loan size, lock period, points, lender margins, and market conditions. Forecast ranges can be exceeded when economic data, geopolitical events, energy prices, or Treasury auctions surprise markets.